



CS Mexico

INBOND WAREHOUSING AND SERVICE MAQUILADORA OPERATIONS

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SUMMARY

Public bonded warehouses or inbond warehousing, offer the opportunity to U.S. exporters to send all types of materials, products or machinery to Mexico as an extension of their inventory warehouse, so that it can be sold and distributed in Mexico, while holding title to the goods.

A service maquiladora provides the same inbond warehousing service, plus additional services such as logistic control, sub-assembly, less-than-truckload distribution, labeling, and other re-packaging services.

In both cases the products shipped and warehoused in these units have not passed the Mexican customs process thus they will not have paid import duties and fees and title to the goods still belongs to the shipper.

U.S. manufacturers and exporters may be interested in assisting their traditional Mexican customers to maintain sufficient stocks of raw materials, spare parts, all types of products, as well as capital goods, that will enable them to satisfy any short term/emergency demand.

OVERVIEW

In Mexico, public bonded warehouses (*almacenadoras*) are credit organizations operating under concession granted by the Ministry of Finance and Public Credit (*Secretaria de Hacienda y Credito Publico*). Their functions are regulated by the General Organizations and Auxiliary Credit Activities Law. The *almacenadoras* are the only corporations authorized by law to issue warehouse certificates and warrants for merchandize and goods stored.

Warehouse certificates and warrants are negotiable credit instruments. The difference between certificates and warrants lies in the fact that a warehouse certificate shows title to the merchandize which has been stored in the warehouse, while a warrant constitutes a pledge credit on the merchandize or assets indicated in the corresponding warehouse certificate. Mexican and foreign banks may issue credits on the security of warehouse certificates and warrants.

BASIC CONCEPTS:

Mexican Customs and Excise Law (*Legislacion Aduanera*) contemplates the inbond storage of foreign goods under the chapter called *Regimen de Deposito Fisca* (Fiscal Deposit Law).

Merchandize may remain in storage inbond, for up to two years. Partial or total withdrawals may be made after payment of corresponding import duties, value-added tax, and warehousing fees and costs.

Duties paid upon withdrawals are exactly the same as if had been paid on the date of storage, as no further changes on import duties or restrictions would take place once the merchandize is duly stored.

Merchandize stored inbond can be shipped to another country tax free, provided that such shipment occurs within the authorized term.

Foreign manufacturers or exporters may safely stock merchandise in Mexico by shipping it under the custody of a duly authorized *almacenadora* or in bond warehouse.

ADVANTAGES FOR THE MEXICAN IMPORTER:

1. Immediate availability of basic imported goods.
2. Minimum investment (freight, handling, and customs agents charges only).
3. Ability to control cost prices:
 - a. Fixed expenses: import duties freight, insurance, and customs duties eventually paid in Mexican currency based on previously settled amount.
 - b. Variable expenses: monthly warehouse fees and insurance.
4. Qualifies for additional credit in local banks.
5. Savings in use of storage space in their own facilities.
6. The advantage of being able to maintain sufficient inventories to satisfy market demands.

ADVANTAGES FOR THE U.S. EXPORTER

1. Company retains ownership of goods until the importer withdraws from the warehouse and pays the corresponding cost, duties, handling, and storage fees.
2. US company can make arrangements with inbond warehouse to obtain payment of goods upon initiation of warehouse period or when withdrawn.
3. All inbond warehouses must insure against theft, fire, disasters, etc. by law.
4. They have inventory access at any time
5. Can coordinate delivery logistics with the warehousing company.
6. Merchandise stored in an inbond warehouse can be returned to its owner without having to pay import duties.
7. Organizations that operate inbond warehouses generally have facilities in several cities in Mexico, and exporter can store in various cities under the same regime.

INBOND SERVICE MAQUILADORAS

The word *maquiladora* comes from colonial Mexico, where millers charged a "*maquila*" for processing other people's grain. Today the same term is used to describe companies that process (assemble and/or transform in some way) components imported into Mexico, which are, in turn, exported - usually to the United States. Terms that are synonymous with maquiladoras include: offshore operations, production sharing, twin plants and inbond warehousing.

The concept of service maquiladoras has been growing very fast. While in year 2004 there were only two of these organizations, at the end of 2005, there were over 15 service maquiladoras in operation.

The basic services of these types of organizations include:

- Handling of merchandise from/to Mexico.
- Total control of its boardings from its warehouses (service in-house).
- Consolidation and deconsolidation of merchandise.
- Pursuit of its boardings from origin, counting on the support of network of correspondents in other areas.

- Support and customized consultant's office in each boarding.
- Competitive prices in the transfer of its merchandise.
- National transport to any point within Mexico or the U.S.

And other wide array of services such as:

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| • Unloading and Loading | • Receiving & Shipping |
| • Picking and Kitting | • Storage and Warehousing |
| • Inventory Management | • Transportation and Customs |
| • Technical Services | • Vendor Managed Inventory |
| • Just-in-Time Delivery | • Cross Docking |
| • Long Term Storage | • Reverse Logistics |
| • Vendor Hub Management | • Climate Control Storage |
| • Customer Support | • De-trashing |
| • Order Fulfillment | • Sub-Assembly |
| • Bar Code Labeling | • Repair Depot |
| • Pre-Delivery Inspection | |
| • Unpacking and Repacking | |
| • 7/24 operation | |

ADVANTAGES FOR U.S. EXPORTERS

The basic advantage of a service maquiladora is that they can do all of the customs management for the U.S. exporter. They can bring the merchandise inbond, provide any of the above listed services and then legally import the products into Mexico, while the U.S. exporter still holds title of the goods and does not release the products until the U.S. company obtains payment and allows delivery.

The National Council for the Maquiladora Industry can provide additional information as well as directories of service maquiladoras: Tel. 011-52-55-5250-6093, Fax: 011-52-55-5203-0337
E-mail: cnimex@data.net.mx Web page: www.cnime.org.mx

For More Information

The U.S. Commercial Service in Monterrey, Mexico can be contacted via e-mail at: Ernesto.dekeratry@mail.doc.gov; Phone: 52-81-8345-2120; Fax: 52-81-8342-5172
or visit our website: <http://www.buyusa.gov/mexico/en/>.

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